

Message Text

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ACTION EB-11

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BY POUCH TO BEIRUT, JAKARTA, JIDDA, KUWAIT, LAGOS, LIMA, LONDON,
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E. O. 11652 N/ A

TAGS ERNG VE OPEC

SUBJECT: FIRST OFFICIAL REACTION TO PRESIDENT NIXON' S
ENERGY MESSAGE

SUMMARY: FIRST OFFICIAL VENEZUELAN REACTION TO
PRESIDENT' S ENERGY MESSAGE IS THAT MESSAGE WAS DIRECTED
PRIMARILY TO INTERNAL CONCERNS OF U. S. AND WILL NOT
ADVERSELY AFFECT SALES OF VENEZUELAN PETROLEUM. VENEZUELAN
SPOKESMAN REGRETTED LOSS OF MOST ELEMENTS OF
HEMISPHERIC PREFERENCE AND EXPRESSED DOUBTS THAT PROPOSED
POLICIES COULD LEAD TO U. S. SELF- SUFFICIENCY
IN ENERGY. END SUMMARY.

1. TODAY' S CARACAS NEWSPAPERS CARRY SUMMARIES OF
REMARKS MADE BY MINISTER OF MINES AND HYDROCARBONS,
HUGO PEREZ LA SALVIA, AT A PRO VENEZUELA ASSOCIATION
MEETING EVENING MAY 2, WHICH REMARKS CONSTITUTE FIRST
OFFICIAL REACTION TO PRESIDENT NIXON' S ENERGY MESSAGE.

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2. PEREZ SAID THAT FUNDAMENTAL CONCLUSION HE HAS DRAWN IS THAT DOCUMENT HAS PRINCIPALLY A DOMESTIC CHARACTER AND IS A POLICY PRESENTED TO ALLEVIATE ENERGY CRISIS OF THE U. S. BY CREATING INCENTIVES FOR DEVELOPMENT OF DOMESTIC ENERGY SOURCES. PEREZ EXPRESSED THOUGHT THAT THE MESSAGE CONTAINS CONTRADICTIONS IN THAT IT EMPHASIZES NEED TO DEVELOP COAL AND OFFSHORE PETROLEUM RESOURCES BUT LATER DISCUSSES COST AND TECHNICAL DIFFICULTIES OF DEVELOPING THESE. PEREZ ALSO NOTED THAT POLICY CREATES INCENTIVES FOR INSTALLATION IN U. S. OF NEW REFINERIES BUT TO HIM THIS SEEMED A STRANGE APPROACH BECAUSE REFINERIES HAVE NOT BEEN BUILT IN RECENT PAST NOT BECAUSE OF LACK OF INCENTIVES BUT BECAUSE OF ENVIRONMENTAL PROBLEMS.

3. AS FOR HEMISPHERIC PREFERENCES, PEREZ OBSERVED THAT THESE HAD BEEN PRACTICALLY ELIMINATED, THE ONLY ONE REMAINING BEING THAT FOR A LIMITED VOLUME OF #2 HEATING OIL. PEREZ DESCRIBED HEMISPHERIC PREFERENCE AS NO LONGER NECESSARY FOR VENEZUELA AS ITS PRICES ARE FIRM AND PREDICTED THAT THEIR ELIMINATION WOULD NOT AFFECT VOLUME VENEZUELAN OIL SALES TO U. S., BUT HE NEVERTHELESS TOOK U. S. TO TASK FOR ELIMINATING PREFERENCES. HE REPORTEDLY SAID: "ONE COULD THINK THAT FOR A COUNTRY THAT SO DESPERATELY NEEDS ENERGY WOULD BE IN ERROR NOT TO HAVE GIVEN SOME PATH, SOME PREFERENCE NOT ONLY TO VENEZUELA BUT TO TRINIDAD, TOBAGO, ECUADOR AND OTHER COUNTRIES WHICH SOON BECOME MORE OR LESS IMPORTANT EXPORTERS... BUT U. S. MUST HAVE ITS OWN DEEP AND Ponderous REASONS FOR THIS COURSE OF ACTION."

4. AS FOR OTHER EFFECTS ON VENEZUELA, PEREZ SAYS THAT MINISTRY IS STILL STUDYING THEM ALONG WITH THE DETAILS OF MESSAGE AND PROCLAMATION. HE DID MENTION THAT ROYALTIES WOULD BE AFFECTED (SINCE ROYALTY FORMULA IS BASED ON PRICE OF AN EAST TEXAS CRUDE OIL ADJUSTED FOR U. S. TARIFF AND TRANSPORTATION). EFFECT IN FIRST YEAR WILL BE FAVORABLE BUT IN SUBSEQUENT YEARS ROYALTIES WILL BE REDUCED AS U. S. IMPORT FEES RISE. PEREZ SAID VENEZUELA WOULD APPLY NECESSARY CORRECTIVES

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TO ITS ROYALTY FORMULA TO PREVENT REVENUE LOSSES.
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